



LEPELLE – NKUMPI MUNICIPALITY

THE BUDGET – 2016-2017 MTERF EXECUTIVE SUMMARY

1. Legislative requirements : Compilation of the Draft Budget 2016/17

In terms of Section 16 of the Municipal Finance Management Act, Act of 56 of 2003, the Council must for each financial year approve an annual budget for the municipality before the start of the financial year.

In order to comply with the above subsection, the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

In section 17 it is further said that the budget must be a schedule in this prescribed format:

- a) Setting out realistically anticipated revenue for the budget year from each revenue source;
- b) Appropriating expenditure for the budget year under the different Votes of the municipality;
- c) Setting out indicative revenue per revenue source and projected Expenditure by vote for the two financial years following the budget year;
- d) Setting out estimated revenue and expenditure by vote for the current year; and
- e) Actual revenue and expenditure by vote for the financial year preceding the current year.

The 2016/2017 Budget has been laid out in the prescribed format outlined by the enabling act.

The MFMA section 24 further states that -:

- a) the municipal council must at least 30 days before the start of the budget year approve its annual budget;

b) the budget must be approved together with the adoption of resolution as may be necessary –

- i. imposing any municipal tax for the budget year;
- ii. setting any municipal tariffs for the budget year;
- iii. approving measurable performance objectives for revenue from each vote in the budget;
- iv. approving any changes to the municipality 's integrated development plan; and
- v. approving any changes to the municipality's budget – related policies.

It is therefore in accordance to the legislative requirements that the Draft Budget of 2014/51 is submitted to the Council by the Executive Committee for tabling. The Budget summary, budget documents and related resolutions are thus outlined in this document.

2. The Executive Summary

The Budget for the 2016/ 2017 MTREF is outlined below:

LIM355 Lepelle-Nkumpi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	16 079	19 222	18 786	20 037	20 037	20 037	-	21 360	22 684	24 023
Property rates - penalties & collection charges										
Service charges - refuse revenue	4 324	5 302	5 661	6 132	6 132	6 132	-	6 537	6 942	7 352
Service charges - other			405							
Rental of facilities and equipment	156	213	218	540	567	567		512	544	576
Interest earned - external investments	3 950	3 867	5 493	5 259	10 518	10 518		11 212	11 907	12 610
Interest earned - outstanding debtors	1 262	180)	5 380	4 928	4 928	4 928		5 253	5 579	5 908
Dividends received					-	-				
Fines	625	893	2 666	7 968	7 968	7 968		8 494	9 021	9 553
Licences and permits	-	-			-	-				
Agency services	32 973	44 105	54 502	9 445	9 445	9 445		10 069	10 693	11 324
Transfers recognised - operational	130 061	141 645	169 001	213 405	214 816	214 816		208 066	217 768	229 090
Other revenue	1 635	1 026	2 586	77 759	77 962	77 962	-	124 948	117 040	105 513
Gains on disposal of PPE		291								
Total Revenue (excluding capital transfers and contributions)	191 066	215 383	264 699	345 475	352 374	352 374	-	396 451	402 178	405 947
Expenditure By Type										
Employee related costs	54 649	60 201	70 249	77 013	83 403	83 403	-	88 442	93 780	100 251

Remuneration of councillors	14 015	11 906	15 795	18 134	18 134	18 134		19 505	20 909	22 352
Debt impairment	25 290	–	12 441	29 557	29 557	29 557		26 429	23 861	21 743
Depreciation & asset impairment	26 079	–	27 263	35 179	35 179	35 179	–	37 289	39 601	41 938
Finance charges	150	54	19	26	26	26		28	30	32
Bulk purchases	–	–	–	–	–	–	–	–	–	–
Other materials	6 994	2 660	2 636	18 748	18 498	18 498		15 746	14 741	15 667
Contracted services	3 731	2 553	9 035	20 389	20 389	20 389	–	28 355	12 077	10 887
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	55 329	56 330	45 985	93 831	88 687	88 687	–	89 646	96 650	99 369
Loss on disposal of PPE			757							
Total Expenditure	186 235	133 704	184 180	292 878	293 874	293 874	–	305 440	301 648	312 239
Surplus/(Deficit)	4 831	81 679	80 519	52 598	58 500	58 500	–	91 011	100 530	93 709
Transfers recognised - capital	38 836	14 841	32 882	76 678	82 234	82 234		51 466	55 343	58 463
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions	43 667	96 520	113 401	129 276	140 734	140 734	–	142 477	155 873	152 172
Taxation										
Surplus/(Deficit) after taxation	43 667	96 520	113 401	129 276	140 734	140 734	–	142 477	155 873	152 172
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	43 667	96 520	113 401	129 276	140 734	140 734	–	142 477	155 873	152 172
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	43 667	96 520	113 401	129 276	140 734	140 734	–	142 477	155 873	152 172
Surplus/(Deficit) for the year	43 667	43 667	43 667	43 667	43 667	43 667		43 667	43 667	43 667

The Budget indicates the following

- Total revenue including grants equals R447.9m, R457.5m and R464.4 for the 2016/2017, 2017/2018 and 2018/2019 financial years respectively.
- Total grants equal R259.5m, R273.1m and R287.6 for the 2016/2017, 2017/2018 and 2018/2019 financial years respectively.

The budget indicates that the municipality is grant dependant as the highest contributor is income received from National Treasury for Grants and Subsidies at 58.21% for the 2016/2017, 57.15% for 2017/2018 and 54.38% for 2018/2019 financial year and from district municipality and other is at 0.94% for 2016/2017 financial year only..

The grants and subsidies allocation is as per the DoRA.

- Revenue from Trading Services (property rates and refuse removal) including interest charged from overdue accounts for the 2016/2017 is at R33.0m, 2017/2018 is at R35.1 and R37.2 i.e 7.39%,7.68% and 8.01% of the total budget.
- The agency services include 100% commission from sale of water and sanitation of an amount of R10,068,590.42, R10,692,843.03 and R11,323,720.77 respectively and agency fees for Dept. of Roads and Transport in line with the 80/20 agreement and the Capricorn District Municipality service level agreement.
- Income from accumulated surplus for the 2016/2017 financial year to cater for capital expenditure amounts to R128.7m which will be used to cater for capital expenditure outlined below

- Other own revenue includes among others the following:-

<u>Other Revenue by source</u>					
Traffic Revenue	1 886 400.00	1 886 400.00	2 010 902.40	2 135 578.35	2 261 577.47
Building Plans	95 175.17	95 175.17	101 456.73	107 747.05	114 104.12
PTO's	17 707.01	17 707.01	18 875.67	20 045.96	21 228.67
Sale os sites	34 307.33	34 307.33	36 571.61	38 839.05	41 130.56
Accumulated Internal Funding	74 255 731.20	74 255 731.20	120 905 195.40	112 746 071.95	100 965 400.00
Tender Revenue	503 190.14	503 190.14	536 400.69	569 657.53	603 267.33
Relocation of Beacons	16 600.32	16 600.32	17 695.94	18 793.09	19 901.88
Cattle Pound	553 344.00	553 344.00	589 864.70	626 436.32	663 396.06
Sundry Income	12 855.29	12 855.29	13 703.74	14 553.37	15 412.02
Skills Development					
Levy - Refunds	148 513.63	148 513.63	158 315.53	168 131.10	178 050.83
Other	235 586.04	438 086.04	559 350.11	594 029.82	629 077.58
Total 'Other' Revenue	77 759 410.12	77 961 910.12	124 948 332.53	117 039 883.58	105 512 546.51

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Bulk purchases	-	-	-	-	-	-	-	-	-	-
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Other expenditure	55 329	56 330	45 985	93 831	88 687	88 687	-	89 646	96 650	99 369
Loss on disposal of PPE			757							
Total Expenditure	186 235	133 704	184 180	292 878	293 874	293 874	-	305 440	301 648	312 239

- Total operating expenditure equals R305.4m, R301.6m and R312.2m for the 2016/2017, 2017/2018 and 2018/2019 financial years respectively.

Included in the operating expenditure budget for the 2016/2017 is provision for bad debts amounting R26.4m and Depreciation amounting to R37.3m and Electricity project of R13.2m

Other Materials

- Other materials include the employee's allowances for maintenance staff and other repairs and maintenance materials.

Capital Budget is outline as follows:-

Categories	2016/2017	2017/2018	2018/2019
Capital project - own funding	80,640,000.00	98,400,000.00	90,829,367.55
Capital Project - MIG Funded	44,867,270.24	53,073,016.62	56,042,360.75
Institutional Development- own funding	16,970,000.00	4,400,000.00	5,300,000.00
Draft Capital Budget	142,477,270.24	155,873,016.62	152,171,728.29

Out of the total capital budget of R142.5m, R155.9m and R152.2 for the 2016/2017, 2017/2018 and 2017/2018 financial years, R44.9m, R53,1m and R56.0m of the total budget for the 2016/2017, 2017/2018 and 2017/2018 financial years will be funded by Municipal Infrastructure Grant (MIG), which is 31.497%, 34.05% and 36.83mof the total capital budget.

The following MIG funded projects are to be implemented in the 2016/2017 financial year

CAPITAL PROJECT - MIG FUNDED	
Small Access Bridge: Madisha Ditoro	2 260 000.00
Small Access Bridges: Magatle/Mapatjakeng	3 300 000.00
Small Access Bridge: Lehlokwaneng/ Tswaing	2 000 000.00
Small Access Bridge: Makadikadi/ Ireland	2 300 000.00
Grading of Mamaolo to Mampiki Internal Streets and Stormwater (Multi-year	6 100 000.00

Madisha Ditoro Community Hall	4 400 000.00
Rakgwatha Community Hall	4 400 000.00
Upgrading of Mathabatha Road from gravel to tar and stormwater control (Multi-year)	17 000 000.00
Upgrading of Mathabatha Road from gravel to tar and stormwater control (MASHADI)	3 107 270.24
CAPITAL PROJECT - MIG FUNDED	44 867 270.24

CAPITAL PROJECT -OWN FUNDING

Public Lighting Unit F to A	1 500 000.00
Dublin Community Hall New - Bolahlakgomo	1 600 000.00
New cemeteries	6 000 000.00
Ga-Ledwaba Traditional Authority Hall	4 300 000.00
Mafefe Traditional Authority Hall	4 300 000.00
Paving Of Internal Streets Zone F RDP access road - Vuk'uphile	1 500 000.00
Lebowakgomo: Construction of Stormwater drainage New	8 000 000.00
Tarring of Magatle Internal Streets phase 2	7 500 000.00
Tarring of Internal Streets Zone S to BA phase 2	1 500 000.00
Tarring of main roads from Zone S to Q - Lebowakgomo	4 000 000.00
Paving Of CBD Streets phase 2 - Vuk'uphile	1 500 000.00
Extension of Municipal Offices	6 000 000.00
Resealling and Maintanance of Streets - tarred roads (Unit BA)	3 000 000.00
Rakgoatha Internal Streets and Stormwater - 5.9km (Multi-year)	9 000 000.00

Buildings - Construction of 2 transfer station	1 500 000.00
Small Access Bridge: Madisha Ditoro	4 270 000.00
Small Access Bridges: Magatle/Mapatjakeng	5 070 000.00
Small Access Bridge: Lehlokwaneng/ Tswaing	3 000 000.00
Small Access Bridge: Makadikadi/ Ireland	4 600 000.00
Construction of Parks in L/Kgomo F, B and S	1 000 000.00
Mathibela Waste Transfer Station Drilling and equipping of boreholes and Electricity	400 000.00
Completion of 16 Highmast light Highmast Lights (Mamaolo, Rakgwatha, Lesetsi, Hlakano, Mathabatha, Zone F,B(X2), A, Q (X2) S,R, CBD)	1 100 000.00
TOTAL	80 640 000.00

Budget Related Resolutions

2. That Council resolves that the Budget of Lepelle – Nkumpi for the financial year 2016/2017 and indicative for the two projected outer years 2017/2018 and 2018/2019 be tabled as set –out.

- a) MBRR Table A1 – Monthly Budget Summary
- b) MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard
- c) MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)
- d) MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)
- e) MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source
- f) MBRR Table A6 - Budgeted Financial Position
- g) MBRR Table A7 - Budgeted Cash Flow
- h) MBRR Table A8- Budgeted cash back reserve/ accumulated surplus/deficit
- i) MBRR Table A9- Budgeted Assets Management
- j) MBRR Table A10-budgeted Service delivery measurement

3. Council takes note of the following budget related policies for inputs and comments

- Supply chain management policy
- Assets Management Policy
- Credit Control, debt collection and customer care policy
- Tariff policy
- Bad debt and write off policy
- Tariff Structure
- Cash and investment management policy
- Budget and Virement policy
- Indigent Policy
- Property Rates Policy